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Spence, Lewis J.

Address before the Traffic Club of New York...

[New York]

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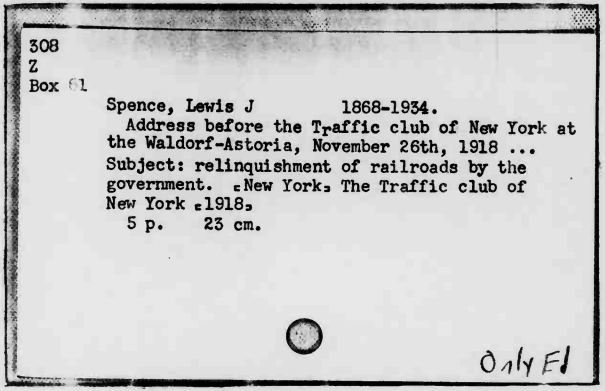
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Address

before

The Traffic Club of New York

at the Waldorf-Astoria
November 26th, 1918

By

Lewis J. Spence
Director of Traffic of the Southern Pacific Company

Subject

Relinquishment of Railroads by the Government

The Traffic Club of New York
309 Broadway

Relinquishment of Railroads by the Government

An Address Delivered Before

The Traffic Club of New York

Tuesday Evening, November 26, 1918

By

Lewis J. Spence

Director of Traffic, Southern Pacific Company

Mr. President and Fellow Members:

This is the first annual election of the Traffic Club which it has been my privilege to attend, and it has given me special pleasure to join in the formal election of the officers who have been chosen this evening. I congratulate the President upon the distinction which has come to him, and compliment those who are responsible for his selection.

I rejoice with you tonight in the glorious victory that has been achieved by our beloved country and the noble allies with whom we have been associated, and welcome with you the opportunity which has now arrived to devote our attention to the pursuits of peace and the problems of reconstruction.

I appear before you as a speaker with a full recognition of my inability to tell the well-informed members of this organization anything about traffic or transportation which they do not already know, and with a considerable sense of responsibility in expressing my views upon a subject of such vital importance to you and to the country.

No problem of reconstruction is more important to the public than the future operation of our transportation systems. I do not intend to deal with this question by criticizing the performance of the Railroad Administration; it isn't necessary; an experiment in railroad and steamship operation has been undertaken which must be tested by your own experiences, but it may be appropriate to remind you that you have not yet by any means experienced all of the evils of Government ownership or permanent Government control.

It has been nearly eleven months since possession, control and operation of the principal railroads of the country and their proprietary steamship lines were assumed by the Government. The law provides that Federal control shall continue for a reasonable time after the war—not to exceed one year and nine months following the proclamation of peace. It also authorizes the President to relinquish control in the meantime whenever he shall deem such action needful or desirable. The Act was expressly declared to be emergency legislation enacted to meet conditions growing out of the war. The owners and users of the transportation systems patriotically accepted that reason for assuming control of the properties, but it is not surprising that the question should now be persistently asked why Governmental operation of the transportation systems of the country should be continued for twenty-one months after the proclamation of peace, or, indeed, for any longer period of time than may be necessary to restore them to individual management in an orderly way.

Since the cessation of hostilities, an industrious publicity bureau has devoted much attention to an explanation of other benefits accruing from unified control and has especially emphasized the elimination of "competitive waste." The definition of "waste" which is most appropriate to this discussion is "useless expenditure." If the expression **"competitive** waste" is intended to mean that every expenditure arising from competition in transportation is a useless expenditure, I venture the opinion that it will not strongly appeal to you. If, on the other hand, competitive waste means only extravagant expenditures which are not necessary to afford the public adequate service and facilities, and reasonable competition, I submit that railroad officers, under private management, have a disposition to eliminate **waste** which has never been characteristic of Governmental agencies, and that they may be depended upon to eliminate competitive waste insofar as the necessary action to accomplish this result shall not be prohibited by law, and insofar as its accomplishment will not deprive the public of adequate service and facilities, and reasonable competition.

If joint ticket offices conveniently and adequately serve the public and are found to be more economical than individual ticket offices, I predict that consolidated ticket offices will be continued.

If extravagant duplication of passenger trains can be avoided by co-ordination of service without depriving the public of the comforts and conveniences which may reasonably be expected, there is every reason why railroad officers should promote such co-ordination if they are not prohibited by law from doing so.

If the shippers are willing to have cars loaded to their maximum capacity—as they should be to promote efficiency and economy—it is only necessary for them to advocate or concur in the publication of minimum carload weights which will insure such maximum loading and continue the efficiency and economy which the Railroad Administration has established by more arbitrary methods.

COMPETITION is where two or more persons are engaged in the same business and each is seeking patronage; where competition does not act at all there is complete monopoly. Elimination of competition is the avowed policy of the Director General of Railroads. It is a fundamental principle of the present system of Federal control, and it is inherent in Government ownership or any other form of unified control and operation which has ever been proposed.

If my interpretation of public sentiment is correct, **whatever** benefits have been obtained during Federal control are believed to have been outweighed by the disadvantages attributable to the elimination of competition, and the **paramount** desire of the public is: that there shall be a prompt restoration of the benefits of reasonable competition in rates and service; that the shipper's right to route his freight shall be respected; that the courtesy and accommodation which are born of individual initiative and competitive endeavor shall be revived; and that there shall be an impartial consideration of rates by the Interstate Commerce Commission which shall be fair alike to shippers and carriers. These advantages are not obtainable under unified control and operation; and personally I do not believe that there is any satisfactory middle ground between Government ownership and monopoly, on the one hand, and individual ownership, with fair competition, on the other hand.

GOVERNMENT OWNERSHIP would be accomplished by the payment of just compensation for the property acquired. There are members of Congress who favor this solution of the transportation problem, and there are quite a number of security owners who have been driven to the conclusion that Government ownership would be preferable to private ownership and operation under a system of regulation which denies the carriers sufficient revenue to meet enforced increases in wages and in other uncontrollable expenses. If I believed Government ownership to be the salvation of security owners, it would not become me as a director and trustee to discourage that destiny; but I have too much confidence in the good sense of the American people to believe that we shall be driven to a solution which, I am sure, would be inimical to the public interest, and would be a national calamity.

If it is a correct conclusion that competition is eliminated in every substantial sense by any plan of Federal control or unified operation, whether it contemplates the operation of all of the lines of the country as one system or their operation in unified groups, and if it is a correct conclusion that the public interest requires the preservation of that individual initiative, resourcefulness, efficiency and fair competition which have developed the cheapest and most efficient transportation in the world, the people should become aroused to a sense of their responsibility and forestall the drift of our transportation systems to Government ownership or some other form of unified control.

The organization and the policies of the Railroad Administration; the propaganda in favor of continuing Governmental control of the railroads **after the disappearance of the avowed necessity for taking them over;** and finally the seizure of the ocean cables, **after the conclusion of an armistice,** have too much significance to be ignored by the public. The evident desire to continue in peace the Governmental administration of the great systems of transportation and communication is revealing a tendency toward **state socialism** which threatens to undermine our free institutions; and our most conservative statesmen, irrespective of party, are beginning to view this tendency with the greatest concern.

It must be apparent to everyone who is familiar with the subject that some comprehensive legislation will have to be enacted to correct the intolerable burdens of the past and ensure the successful development of the railroads as useful instrumentalities of commerce. For example, labor difficulties, which are always with us, have been greatly increased by the exigencies of war and the Federal control of railroads. There have been Wage and Adjustment Commissions to deal with wages, hours and working conditions, which have resulted in generous treatment of employes, and I believe **it will be to the interest of the public, the employes and the railroads to have such a tribunal of adjustment under private control;** but I believe quite as firmly that **the findings of such a Commission should be subject to the review and approval of the same Governmental agency which is charged with the regulation of rates, and**

that such Governmental agency should also be charged with the duty of readjusting rates contemporaneously with any readjustment in wages which it may approve and authorize; but,

The longer the railroad and steamship lines are continued under unified control and operation, the more completely their individualities will be obliterated, their organizations disrupted, and their individual credit impaired. If unified control is not to be prolonged for exploitation by the advocates of Government ownership or the apostles of paternalism, **the situation,** in my judgment, **requires prompt, concerted and vigorous action by the public.**

The short cut would be for the President to exercise the authority conferred upon him by the Federal Control Act to relinquish control of the properties; but if this course is taken his notice of intention to relinquish the properties on a specified date should be accompanied by a recommendation to Congress to enact the necessary legislation to provide a tribunal for the consideration of wages and the contemporaneous adjustment of rates.

Why should not a public petition be made to the President to so deal with the question? If he submits it to Congress in this way, it will, of course, be important that the people should not fail to exert their influence upon the members of Congress to **ensure the enactment of the legislation immediately required to become effective with the return of the properties.**

The Director General of Railroads has tendered his resignation with the suggestion that it become effective on January first. Is there any reason why a successor should be appointed? Is there any good reason why the President should not **inform** Congress when it reconvenes on December second of **his intention** to relinquish the properties at midnight December thirty-first, and recommend **enactment of the specific legislation which should become effective on January first;** with the understanding that additional legislation shall be undertaken after a comprehensive study of the entire subject.

Both the President and the Congress **will respond to an unmistakable expression of public sentiment.**

Will the people rise to their responsibilities?

PRINCIPLES ENUNCIATED IN THIS ADDRESS APPROVED BY THE TRAFFIC CLUB OF NEW YORK.

Following the address of Mr. Spence, as herein published, The Traffic Club, in session at its annual meeting, by proper motion unanimously adopted, went on record as approving the principles enunciated, and the Board of Governors of the Club was directed to urge the early return of the transportation systems to individual control and operation, and the enactment of suitable legislation placing the responsibility of adjustment of rates contemporaneously with the adjustment of wages upon the Interstate Commerce Commission.

C. A. SWOPE, Secretary.

Approved: RALPH S. STUBBS, President.

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